

Message Text

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ORIGIN NEA-10

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TO AMEMBASSY COLOMBO

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FROM NEA/INS:MALOTT

E.O. 11652: N/A

TAGS: OGEN, CE

SUBJECT: WASHINGTON, D.C. BANKS

REF: COLOMBO 3392

1. FEDERAL RESERVE BOARD (FRB) ADVISES AS FOLLOWS: IT IS ILLEGAL FOR ANY BANK TO PAY INTEREST ON CHECKING ACCOUNTS. WHAT HAS TAKEN PLACE IS THAT THE FRB ON MAY 1 AMENDED ITS REGULATIONS, AND FDIC FOLLOWED SUIT ON MAY 5, TO ALLOW BANKS TO AUTOMATICALLY TRANSFER FUNDS FROM A SAVINGS ACCOUNT TO CHECKING ACCOUNT TO COVER INCOMING CHECKS. TWO SEPARATE ACCOUNTS STILL MUST BE MAINTAINED, BUT PRACTICAL EFFECT IS THAT DEPOSITOR CAN EARN INTEREST ON SAVINGS ACCOUNT AND HAVE HIS/HER OWN FUNDS (AS OPPOSED TO AUTOMATIC BANK LOANS TO COVER OVERDRAFTS, A SERVICE WHICH MANY BANKS NOW OFFER) TRANSFERRED TO CHECKING ACCOUNT WHEN NEEDED. THIS CHANGE WILL NOT GO INTO EFFECT UNTIL NOVEMBER 1, SO IT IS NOT KNOWN WHICH BANKS WILL OFFER THIS SERVICE. I AM SURE THAT SOMETIME THIS FALL, THE WASHINGTON POSTS THAT POST RECEIVES
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WILL CONTAIN BANK ADVERTISEMENTS ABOUT THIS SERVICE.

2. SINCE 1972, CONGRESS HAS PASSED LEGISLATION ALLOWING SIX NEW ENGLAND STATES TO CONDUCT AN EXPERIMENT IN "N.O.W."

(NEGOTIABLE ORDER WITHDRAWAL) ACCOUNTS. THESE ARE INTEREST-PAYING SAVINGS ACCOUNTS; DEPOSITOR CAN WRITE A WITHDRAWAL

ORDER, WHICH IS FOR ALL PRACTICAL PURPOSES A CHECK.
RATHER THAN CALLING THIS AN INTEREST-BEARING CHECKING
ACCOUNT, IT APPEARS MORE PROPER TO TO CALL THIS A CHECK-
WRITEABLE SAVINGS ACCOUNT. CONGRESS HAS CONSISTENTLY DE-
CLINED TO EXTEND THIS N.O.W. LEGISLATION TO COVER OTHER
AREAS OF COUNTRY. VANCE

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NNN

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